

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

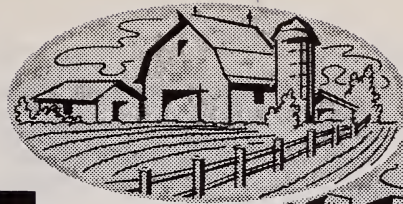
Rec
1.9
EC

DPS-

F
EC
U.

Reserve
1.9
EC 752P

DEMAND AND PRICE SITUATION



DPS-103

For Release January 29, P. M.

JANUARY 1965

U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY

FEB 8 - 1965

CURRENT SERIAL RECORDS

IN THIS ISSUE

- AGRICULTURAL ECONOMIC SITUATION
- FACTORS AFFECTING FARM PRODUCT DEMAND
- FOREIGN TRADE
- FEDERAL BUDGET FOR 1965-66
- CURRENT COMMODITY SITUATION

Published quarterly by
ECONOMIC RESEARCH
SERVICE

U. S. DEPARTMENT OF
AGRICULTURE

Table 1.--Economic factors affecting agriculture

Item	Unit or base period	1963		1964			
		Year	Dec.	Sept.	Oct.	Nov.	Dec.
Industrial production, seasonally adj. <u>1/</u>	: 1957-59=100	: 124	: 127	: 134	: 132	: 135	: 137
Final products	: do.	: 125	: 128	: 132	: 131	: 135	: 137
Consumer goods	: do.	: 125	: 128	: 132	: 129	: 134	: 137
Autos	: do.	: 150	: 156	: 146	: 83	: 145	: 183
Equipment, including defense	: do.	: 124	: 128	: 134	: 134	: 137	: 138
Materials	: do.	: 124	: 126	: 136	: 132	: 135	: 137
Construction: <u>2/ 3/</u>	:	:	:	:	:	:	:
Total outlays	: Mil. dol.	: 62,451	: 65,193	: 66,454	: 65,335	: 65,686	: 65,709
Public construction	: Mil. dol.	: 18,679	: 19,415	: 20,593	: 19,814	: 20,155	: 20,307
Private residential	: Mil. dol.	: 25,843	: 26,896	: 25,972	: 25,679	: 25,582	: 25,416
Housing starts, private only	: Thousands	: 1,609	: 1,570	: 1,457	: 1,591	: 1,430	: 1,541
Manufacturers' shipments and inven- tories: <u>2/</u>	:	:	:	:	:	:	:
Total shipments, seasonally adjusted	: Mil. dol.	: 34,774	: 36,021	: 37,312	: 36,811	: 37,575	:
Durable goods	: Mil. dol.	: 18,071	: 18,476	: 19,284	: 18,633	: 19,345	:
Unfilled orders-shipments ratio <u>4/</u>	:	: 1.43	: 1.38	: 1.48	: 1.52	: 1.50	:
Inventory-shipments ratio total <u>5/</u>	:	: 1.73	: 1.67	: 1.64	: 1.68	: 1.66	:
Durable goods	:	: 1.94	: 1.95	: 1.92	: 2.01	: 1.96	:
Employment and wages seasonally adj.: <u>6/</u>	:	:	:	:	:	:	:
Total civilian employment	: Millions	: 68.8	: 69.2	: 70.3	: 70.3	: 70.7	: 70.9
Nonagricultural	: do.	: 63.9	: 64.3	: 65.5	: 65.6	: 66.0	: 66.3
Unemployment	: do.	: 4.2	: 4.0	: 3.8	: 3.9	: 3.7	: 3.7
Workweek in manufacturing	: Hours	: 40.5	: 40.7	: 40.5	: 40.5	: 40.9	: 41.1
Hourly earnings in manufacturing, unadj.	: Dollars	: 2.46	: 2.51	: 2.57	: 2.53	: 2.56	: 2.58
Income and spending:	:	:	:	:	:	:	:
Personal income <u>2/ 3/</u>	: Bil. dol.	: 464.1	: 477.1	: 497.9	: 498.7	: 502.3	: 505.7
Consumer credit outstanding <u>1/</u>	: Mil. dol.	: 69,890	: 69,890	: 73,495	: 73,928	: 74,371	: ---
Automobile	: Mil. dol.	: 22,199	: 22,199	: 24,295	: 24,423	: 24,367	: ---
Total retail sales, seasonally adj. <u>2/</u>	: Mil. dol.	: 20,536	: 21,019	: 22,254	: 21,383	: 21,631	: 22,808
Durable goods	: Mil. dol.	: 6,675	: 6,831	: 7,541	: 6,496	: 6,704	: 7,767
Inventory-sales ratio <u>5/</u>	:	: 1.39	: 1.40	: 1.35	: 1.37	: 1.36	: ---
Prices: <u>6/</u>	:	:	:	:	:	:	:
Wholesale prices, all commodities	: 1957-59=100	: 100.3	: 100.3	: 100.7	: 100.8	: 100.7	: 100.8
Commodities other than farm and food	: do.	: 100.7	: 101.2	: 101.1	: 101.5	: 101.6	: 101.8
Farm products	: do.	: 95.7	: 93.3	: 95.7	: 93.8	: 94.0	: 92.8
Foods processed	: do.	: 101.1	: 100.4	: 102.2	: 101.7	: 100.9	: 100.8
Consumer price index, all items <u>7/</u>	: do.	: 106.7	: 107.6	: 108.4	: 108.5	: 108.7	: ---
Food	: do.	: 105.1	: 105.4	: 107.2	: 106.9	: 106.8	: ---
Prices received by farmers <u>8/</u>	: 1910-14=100	: 242	: 237	: 236	: 236	: 234	: 234
Crops	: do.	: 237	: 241	: 228	: 232	: 232	: 234
Livestock and products	: do.	: 245	: 234	: 244	: 239	: 236	: 234
Prices paid, interest, taxes and wage rates <u>8/</u>	: 1910-14=100	: 312	: 311	: 313	: 312	: 313	: 313
Family living items	: do.	: 298	: 298	: 299	: 300	: 301	: 301
Production items	: do.	: 273	: 270	: 270	: 269	: 269	: 269
Parity ratio <u>8/</u>	:	: 78	: 76	: 75	: 76	: 75	: 75
Farm income and marketings: <u>8/</u>	:	:	:	:	:	:	:
Volume of farm marketings	: 1957-59=100	: 115	: 131	: 133	: 175	: 157	: 137
Cash receipts from farm marketings	: Mil. dol.	: 36,925	: 3,425	: 3,486	: 4,603	: 4,103	: 3,600

Annual data for most of these items for years 1929, 1941, 1947 and 1950-63 appear on page 35 of the April 1964 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ Unfilled orders, end of month, divided by shipments. 5/ Inventories, book value, end of month, divided by shipments. 6/ U. S. Department of Labor. 7/ Beginning January 1964, new series. 8/ U. S. Department of Agriculture.

- - - - -
T H E D E M A N D A N D P R I C E S I T U A T I O N
- - - - -

Approved by the Outlook and Situation Board, January 21, 1965

CONTENTS

	<u>Page</u>		<u>Page</u>
Summary.....	3	Current Commodity Situation (cont.)	
General Agricultural Situation...	4	Crops	
Factors Affecting Demand for		Wheat.....	30
Farm Products.....	13	Feed Grains.....	31
U. S. Budget for 1966.....	18	Oilseeds, Fats and Oils.....	33
Foreign Trade.....	22	Fruit.....	34
Current Commodity Situation	25	Commercial Vegetables.....	35
Livestock and Products		Potatoes and Sweetpotatoes..	35
Meat Animals.....	25	Dry Beans and Peas.....	36
Dairy Products.....	26	Cotton.....	36
Poultry and Eggs.....	27	Tobacco.....	37
Wool.....	29		

SUMMARY

January 1965 marked the beginning of the 16th quarter of economic expansion since the January-March 1961 low. As the new year opened, continued gains in employment, income, consumer demand, and business investment supported the earlier outlook for further growth in output and general business activity through 1965. The increase in Gross National Product this year may be only a little short of the large gain of $6\frac{1}{2}$ percent from 1963 to 1964. In 1964, the Gross National Product advanced to \$622 billion from \$584 billion in 1963. The gain was slightly below expectations last fall; consumer spending for goods sagged during the fourth quarter, mostly because of auto strikes and limited supplies of cars, despite a continued steady rise in purchasing power. But car sales have picked up since and total consumer buying was record high in January. Rising business capital outlays and continued strike-hedge buying of steel also are expected to add to first-quarter activity.

The gain of \$38 billion in Gross National Product in 1964 from a year earlier, of which about \$11 billion was due to higher prices, provided jobs for more than $1\frac{1}{2}$ million additional workers. Unemployment fell to 5.2 percent of the labor force from 5.7 percent in 1963. Rising employment and lower tax rates contributed to a gain of \$29 billion in personal disposable income. Although the tax cut transferred purchasing power from the public to the

private sector, Government revenue from taxes and other receipts rose by an estimated \$3 billion in 1964.

Consumer spending for goods and services last year, augmented by increasing use of available credit, totaled \$24 billion above a year earlier. Of the gain, \$4 $\frac{1}{2}$ billion was for food purchases. Gross private domestic investment increased nearly \$6 billion, as outlays for fixed plant and equipment surged to a level 14 percent above a year earlier. Spending by State and local governments rose steadily through the year to a level \$5 billion above 1963, but purchases by the Federal Government increased only about \$1 billion.

Consumer purchases of food and other farm products rose around 5 percent during 1964 from the 1963 level reflecting continued population growth and a 7-percent gain in income after taxes. Foreign markets for farm products continued expanding, too, and export shipments during 1964 were valued at about \$6.2 billion, up \$600 million from 1963. Most of the added expenditure for farm products last year went to increased marketing, processing transportation, and other associated services. However, there was a small gain in gross farm income which was about matched by a modest increase in production expenses. Realized net farm income was maintained around the level of the past 3 years and is expected to continue little changed in 1965. The number of workers on farms last year declined 6 percent from 1963. With rising efficiency in labor utilization on farms, levels of output and income per worker continued to rise.

Marketings of livestock and livestock products increased around 4 percent in 1964. Prices received were slightly higher for dairy and poultry products but were sharply lower for meat animals, so cash receipts from all livestock and livestock products rose only slightly from a year earlier. Prices received by farmers for crops during 1964 continued at the 1963 level. Adverse weather and reduced yields, particularly of feed grains, limited total crop production and marketings although output of food grains and fruits gained from a year earlier. A smaller volume of crop marketings during 1964 led to a reduction in cash receipts from sales of these commodities. Government payments to farmers, stepped up during 1964 to offset lower loan levels for grains, helped maintain realized net farm income around the year-earlier level.

GENERAL AGRICULTURAL SITUATION

Consumer spending for food and other farm products jumped upward about 5 percent in 1964 from the year-earlier level, sparked by a 7 percent rise in income after taxes. Outlays increased for livestock products as well as for more liberal use of processing and distribution services. The volume of food consumed per capita was up nearly 1 percent from a year earlier. Underlying trends in population and retail food prices continued little changed during 1964, up 1.4 percent and 1.3 percent, respectively, from a year earlier, accounting for more than half the total gain in spending.

Table 2--Agricultural prices, marketings and income, 1963 to date

Item	Unit	1963				1964			
		IV	Year	I	II	III	IV	Year	
Prices received by farmers	: 1910-14=100:	240	242	241	234	234	235	236	
Crops	: 1910-14=100:	239	237	242	244	229	233	237	
Livestock and products	: 1910-14=100:	242	245	239	226	238	236	235	
Prices paid, interest, taxes and wage rates	:								
Family living items	: 1910-14=100:	311	312	313	313	313	313	313	
Production items	: 1910-14=100:	298	298	298	300	300	301	300	
	: 1910-14=100:	271	273	272	270	269	269	270	
Parity ratio	:								
	:	77	78	77	75	75	75	75	
Volume of farm marketings	:								
Crops	: 1957-59=100:	155	115	102	92	120	156	118	
Livestock and products	: 1957-59=100:	199	118	90	59	125	193	117	
	: 1957-59=100:	123	113	111	117	116	130	118	
Cash receipts from farm marketings <u>1/</u>	:								
Crops	: Bil. dol.:	12.4	36.9	8.1	7.2	9.1	12.3	36.7	
Livestock and products	: Bil. dol.:	7.0	17.0	3.3	2.4	4.2	6.9	16.8	
	: Bil. dol.:	5.3	19.9	4.8	4.8	4.9	5.4	19.9	
Farmers' realized net income <u>2/</u>	:								
	: Bil. dol.:	12.8	12.5	12.3	12.3	12.5	13.3	12.6	

1/ Seasonally adjusted annual rates.

2/ Seasonally adjusted annual rates are: 1963-IV, \$37.2 billion. 1964-I, \$36.7 billion; II, \$36.8 billion; III, \$36.2 billion; IV, \$37.1 billion.

U. S. Department of Agriculture.

Most of the advance in domestic consumption of farm commodities was for livestock products, up around 4 percent from a year earlier. With increased demand, sharply increased supplies of livestock products, particularly beef, cleared the market with little downward effect on retail prices. Total beef consumption was boosted 7 percent from a year earlier and averaged 100 pounds per person. Food use of crops expanded about in line with population. Mill use of cotton was up a half million bales from a year earlier. Demands were stepped up for clothing and other nondurables through increased population and higher income per capita; and the cost of cotton to the mill was lower than the year before under the 1964 Cotton Program. Cigarette consumption was off around 3 percent for the year. It was down sharply following the Surgeon General's report on smoking in January but totaled about the same as a year earlier by the close of 1964.

Lower Prices Received
by Farmers

During January-March, prices received by farmers may average nearly as high as those of the quarter before and moderately below a year earlier. Prices received during 1965 are expected to continue slightly below the 236 (1910-14=100) received during 1964. Supplies of food and other farm products in prospect for most commodities are ample to meet expanding market requirements. Small changes are likely in the level of prices received for livestock but lower loan levels affecting marketings of 1964 crops of wheat and cotton during 1965, and further reductions in loan rates for grain and cotton for the 1965 crops, point to lower prices received for crops this year.

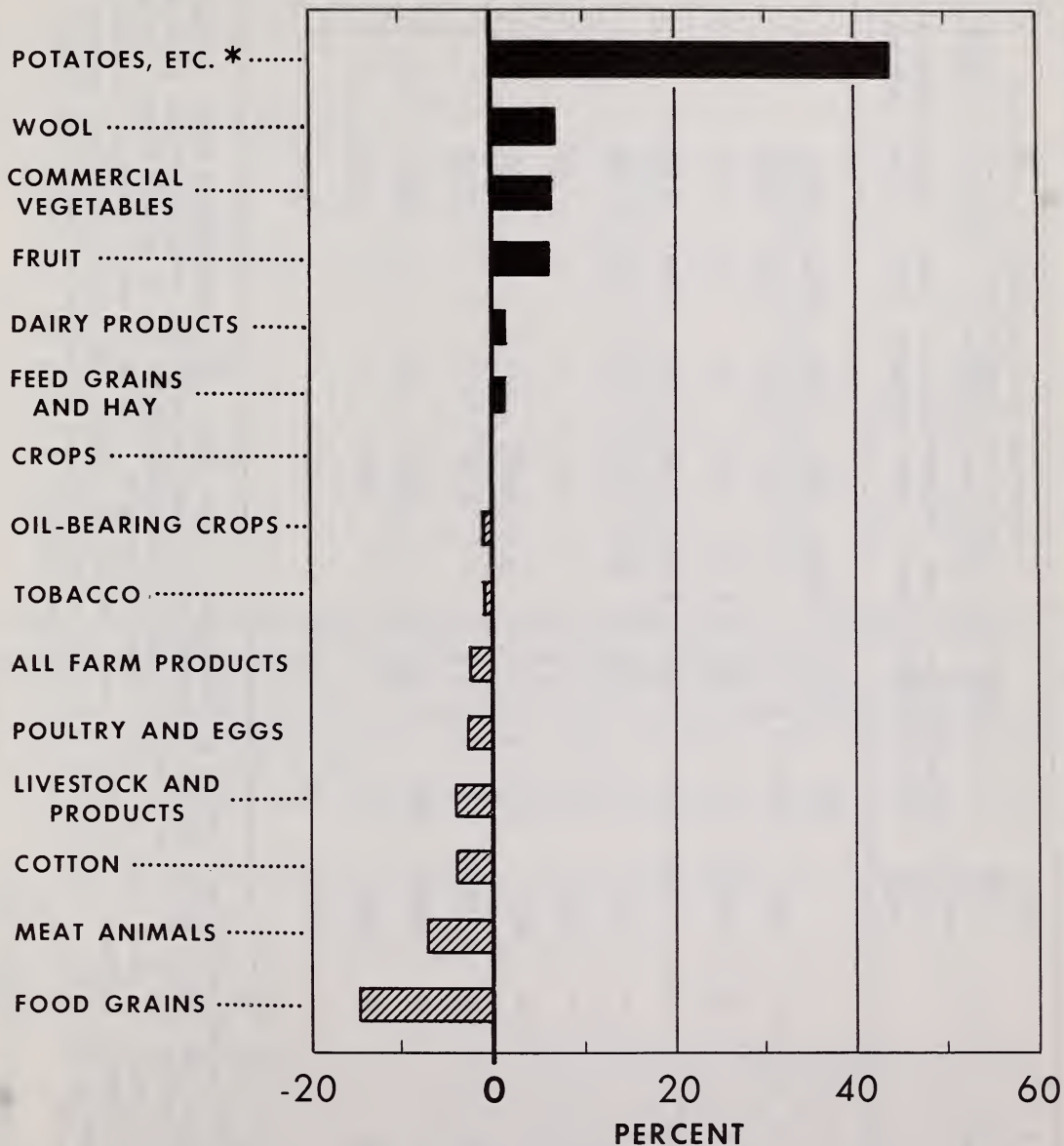
Prices received by farmers during 1964 were off $2\frac{1}{2}$ percent from a year earlier (see chart). Most of the price decreases were for livestock and livestock products, down 4 percent from 1963. Prices received for cattle and calves were off around a tenth, about offsetting gains in slaughter. Prices for hogs were down a shade from 1963. Poultry and egg prices were slightly below levels of a year earlier but lamb and milk prices were slightly higher.

Prices received by farmers for crops continued in 1964 at the 1963 level, 237 percent of the 1910-14 average. However, price fluctuations were large for some commodities, particularly potatoes. Farmers cut potato acreage for the late spring crop, and met with adverse weather for the fall potato crop. Reduced supplies and an increase in demand for potatoes used for processing are resulting in a season average price for all 1964-crop potatoes nearly half again above a year earlier.

Market prices for wheat are running below a year earlier, mostly a reflection of the 1964 Wheat Program under which income to farmers is being maintained through increased Government payments. The loan level per bushel of wheat was reduced to \$1.30 from \$1.82 for the 1964 crop and is further cut to \$1.25 for 1965 (table 3). The basic support rate for upland cotton was reduced $2\frac{1}{2}$ cents per pound to 30 cents for the 1964 crop and is 29 cents for 1965. Feed grain loan levels for the 1964 crop are slightly above a year earlier and, with reduced supplies this year, prices received are running above the loan rates. Loan rates for the 1965 feed grain crop are set below 1964; 5 cents per bushel lower for corn.

Prices Received by Farmers Declined 2-1/2 Percent in 1964

PERCENTAGE CHANGE, 1963 TO 1964



* INCLUDES SWEETPOTATOES AND DRY EDIBLE BEANS.

Table 3.--Government price supports, selected farm commodities, 1962-65

Commodity	Unit	Beginning of marketing year	Marketing year beginning, or crop of:											
			1965			1964			1963			1962		
			Support: price	Support: payment	Loan level	Support: price	Support: payment	Loan level	Support: price	Support: payment	Loan level	Support: price	Support: payment	Loan level
Wheat	Bu.	July	2.00	6/.75	1.25	2.00	8/.70	1.30	2.00	.18	1.82	2.00		
Corn	Bu.	October	1.25	.20	1.05	1.25	.15	1.10	1.25	.18	1.07	1.20		
Grain sorghum	Cwt.	October	2.00	.35	1.65	2.00	.23	1.77	2.00	.29	1.71	1.93		
Barley	Bu.	July	.96	.16	.80	.96	.12	.84	.96	.14	.82	.93		
Oats	Bu.	July	.60	---	---	.65	---	---	.65	---	---	.62		
Rye	Bu.	July	1.02	---	---	1.07	---	---	1.07	---	---	1.02		
Soybeans	Bu.	October	2.25	---	---	2.25	---	---	2.25	---	---	2.25		
Cotton 1/	Lb.	August	.2900	7/	---	.3000	9/	---	.3247	---	---	.3247		
Tobacco 2/	Lb.	July	4/	---	---	.572	---	---	.566	---	---	.561		
Milk 3/	Cwt.	April	5/	---	---	3.15	---	---	3.14	---	---	3.11		

1/ American upland, middling 1-inch. 2/ Flue-cured, types 11-14. 3/ Manufacturing milk. 4/ Not yet announced but changes in the parity index indicate a 1965-66 flue-cured support level about 1 percent above a year earlier. 5/ Not yet announced. 6/ \$.75 for 45 percent domestic allotment; \$.30 for 35 percent export allotment. 7/ \$.0435 additional payment to those planting within domestic allotment. No export market acreage authorized. 8/ \$.70 for 45 percent domestic allotment; \$.25 for 45 percent export allotment. 9/ \$.0350 additional payment to those planting within domestic allotment. Cotton grown on export acreage up to 5 percent more than the allotment could be marketed at world prices, about \$.0650 below the support price.

U. S. Department of Agriculture.

JANUARY 1965

Table 4.--Farm production: Index numbers of total farm output, gross production of livestock and crops, United States 1/

(1957-59=100)				
Item	1961	1962	1963	Preliminary 1964 <u>2/</u>
Farm output	107	108	112	111
All livestock and livestock products <u>3/</u>	106	107	110	113
Meat animals	106	108	113	116
Dairy products	103	104	103	104
Poultry and eggs	112	111	115	118
All crops <u>4/</u>	107	107	112	109
Feed grains	99	100	110	97
Hay and forage	102	105	105	105
Food grains	106	98	102	114
Vegetables	110	108	111	106
Fruits and nuts	109	98	102	109
Sugar crops	115	119	152	155
Cotton	116	121	124	124
Tobacco	119	134	135	129
Oil crops	122	123	129	128

1/ For historical data and explanation of indexes, see, "Changes in Farm Production and Efficiency," USDA Statistical Bulletin No. 233.

2/ Preliminary indexes for 1964 based on December 1964, Annual Summary, "Crop Production" report and other releases of the Crop Reporting Board, SRS.

3/ Gross livestock production includes other livestock products not included in the separate groups shown.

4/ Gross crop production includes some miscellaneous crops not in the separate groups shown.

Prepared jointly by Economic Research Service and Statistical Reporting Service.

Higher Volume of Marketings by Farmers

Prospective gains in farm output and expanding domestic and foreign markets point to a further rise in the volume of marketings by farmers during 1965. Marketings in 1964 are estimated nearly $2\frac{1}{2}$ percent above a year earlier, about offsetting lower average prices received. Output of all farm products in 1964 was little changed from a year earlier; increased production of livestock and products nearly offset a reduction in crop output (table 4). Marketings of cattle during 1965 likely will gain moderately compared with 1964 when commercial beef production increased 12 percent.

Production of poultry and eggs likely will increase in 1965 about as much as in 1964. Expansion is already underway in laying and hatchery supply flocks. A smaller pig crop points to reduced marketings of hogs during 1965. In 1964, pork production was about the same as a year earlier. Milk production in 1964 was up around 1 percent and with less milk used on farms marketings increased nearly 2 percent. For all livestock and livestock products, an increase of around 4 percent in the volume of marketings in 1964 from 1963 was partly a reflection of increased marketings of cattle and sheep out of inventories.

Marketings of crops by farmers in 1965 will be limited by supplies available during the remainder of the 1964-65 marketing year. Stocks of feed grain and soybeans on farms in January were well below a year earlier following a 3 percent decrease in total crop output in 1964. The amount of cropland used last year was about the same as a year earlier but yields per acre were lower. Crop acreage in 1965 is expected to change little overall although some re-allocation among commodities is anticipated. Yields are expected to average higher in 1965 than the reduced level of 1964, though soil moisture has been less than average for some fall-seeded crops.

Acreage seeded for the winter wheat crop is around 5 percent above a year earlier pointing to a further rise in wheat production. In 1964, with increased seeded acreage and with weather favoring higher yields total wheat production gained 13 percent. But the gain is being matched by increased utilization. Soybeans are in tight supply for the 1964-65 marketing season; supplies of fats and oils are smaller than a year earlier and markets continue expanding. Feed grain supplies are smaller during the current marketing season and the 1964 crop is estimated 10 to 12 million tons below expected total utilization.

Production of citrus fruits is expected to be much larger during the first half of 1965 than the freeze-reduced crop of a year earlier. The record large 1964 deciduous fruit crop provided increased supplies for processing as well as for fresh use. Vegetable production in 1964 was around 5 percent below a year earlier but is expected to recover this year. The National cotton allotment for the 1965 crop continues at 16 million acres but plantings this year will depend partly on participation in the domestic allotment feature of the Cotton Program. Harvested cotton acreage in 1964 was 1 percent below a year earlier. However, favorable growing conditions and improved cultural practices resulted in a slight gain in cotton production. A tobacco allotment reduction of 19½ percent announced for the flue-cured crop in 1965 points to a further reduction in tobacco output this year. Smaller tobacco allotments in 1964 reduced harvested acreage by 8 percent. But with increased yields, total tobacco production dropped only 5 percent.

Little Change in Level of
Prices Paid by Farmers

The index of prices paid by farmers for goods and services in 1964 inched up 1 point from the year before to a level 313 percent of the 1910-14 average (table 5). Wages, interest, and taxes payable per acre continued to

Table 5 --Prices paid by farmers for production items and the Parity Index, 1950-64

(1910-14=100)

Year	Production items												Parity Index 1/
	Feed	Live-stock	Motor supplies	Motor vehicles	Farm machinery	Farm supplies	Building and fencing	Fertilizer	Seed	All production items			
1950	210	402	149	320	277	247	312	144	228	246	256		
1951	236	490	156	342	298	264	346	152	233	273	282		
1952	251	411	157	358	308	280	348	156	263	274	287		
1953	227	296	160	355	311	273	351	157	240	256	277		
1954	226	302	162	355	312	264	348	158	224	255	278		
1955	211	297	164	358	312	259	356	155	235	251	276		
1956	206	276	167	367	326	260	371	152	208	250	278		
1957	201	310	173	395	342	262	383	153	215	257	287		
1958	198	380	172	412	357	264	385	153	212	264	294		
1959	199	380	173	425	372	262	393	152	202	266	298		
1960	194	358	175	420	382	262	393	152	211	265	300		
1961	196	357	176	417	391	265	391	154	209	266	302		
1962	198	371	174	433	398	265	390	153	217	270	307		
1963	207	351	175	447	405	266	389	152	231	273	312		
1964	206	312	174	454	413	267	388	152	229	270	313		

1/ Prices Paid by Farmers, including Interest, Taxes and Farm Wage Rates.

Source: Statistical Reporting Service.

rise steadily but prices paid for family living items rose only slightly and those paid for production items were off 1 percent from a year earlier. Among the production items, prices paid for feeder livestock fell to 312 percent of the 1910-14 average from 351 the year before. Prices paid for feeder livestock is a relatively volatile component of the prices paid index. It has fluctuated between 490 (in 1951) and 276 (in 1956) in recent years. The drop in 1964 was largely explained by a 14 percent decrease in prices paid for feeder cattle and calves to \$19.80 from the 1963 level of \$22.90 per hundredweight. Prices paid for motor supplies and vehicles continued to rise but those paid for most other production items were little changed. Current trends point to higher wages, taxes, and interest, and higher prices paid for family living items. And higher prices paid are expected this year for feeder livestock and some other production items. Consequently, the general level of prices paid by farmers is likely to resume it's uptrend during 1965.

Expenses for Production Items
Rising Slowly

Capital requirements of farmers for investments and operating expenses are continuing to rise. The value of manufacturers' shipments of farm machinery and equipment stepped up sharply during 1964 pointing to a high level of new investment by farmers. The value of farm real estate was up around 7 percent. Production expenses by farmers rose at a slower pace in 1964 than in recent years and a continued slow rise is indicated during 1965.

Expenses associated with labor decreased in 1964 despite a 3 percent rise in wage rates and an increased cost of perquisites. Total farm employment decreased 6 percent to a record low in 1964; there were 5 percent fewer family workers and the number of hired workers dropped a sharp 10 percent. Labor costs are continuing to represent a smaller share of total outlays by farmers as are costs of feed and seed; partly a reflection of increasing use of capital and rising efficiency.

Total costs of using capital inputs are continuing to rise. Farmers are paying higher prices and using an increasing volume of capital goods. And wage rates paid for using services not originating within agriculture continue to rise. Interest rates for borrowing capital were little changed but farmers continued to expand their use of credit. Costs associated with capital goods, fertilizer, and livestock are continuing to comprise an increasing proportion of the total cost of producing farm products.

Farm real estate market prices continued to rise to record levels through 1964. From November 1, 1963, to November 1, 1964, the national index of average value per acre rose 7 percent to 137 (1957-59=100). This compares with a year earlier rise of 6 percent. During the 12 months ended November 1, 1964, the average value per acre of all farm real estate rose \$9 to \$144 from \$135. All States shared in the advance as values increased 2 percent in

Idaho, New Hampshire, and Virginia but 11 percent in Arkansas and Florida. Increases tended to be greatest in the Southern tier of States extending from California to Florida. In nearly all these States, market prices advanced from 8 to 11 percent in the 12 months ended November 1, 1964.

Farm Income Continuing
Little Changed

Realized net farm income in 1964 continued around the level of the past 3 years, and is expected to continue around that level in 1965. Gains in total revenue are about matching moderate increases in costs. Cash receipts from marketings of livestock and livestock products during 1964 were a shade above a year earlier; increased marketings more than offset a 4 percent decrease in prices received. However, the volume of marketings of crops was lower and cash receipts from marketing all farm products during 1964 were off slightly from 1963. And production expenses during 1964 were moderately higher than the year before. The squeeze on net income was alleviated in 1964 by an increase in Government payments, mostly under the wheat and feed grain programs. Consequently, realized net farm income for 1964 is estimated a shade above the \$12.5 billion reported for 1963.

FACTORS AFFECTING DEMAND
FOR FARM PRODUCTS

Early in 1965, economic activity was recovering from labor-management disputes in the auto industry, experienced a dockworkers' strike, and was girding for a possible steel strike in the spring. In late December-early January, retail sales soared to a level 11 percent above a year earlier, as auto supplies increased from reduced levels in October-November. Automobile sales were at a rate 20 percent ahead of a year earlier. Businesses continued to accumulate inventories at a rapid rate as a hedge against a possible steel strike. And outlays by business for plant and equipment were expanding rapidly.

Gross National Product was at a \$633.5 billion annual rate in the fourth quarter of 1964, according to preliminary estimates. This was only \$5.1 billion above the third quarter. The slowed rate of gain was largely a reflection of work stoppages in the automobile industry which resulted in a sharp decline in consumer purchases of durable goods only partially offset by rising outlays for other durables and for nondurables. Investment spending was up, on balance, but outlays for residential construction continued to taper off from their peak in the first quarter of last year. Expectations of a steel strike in the spring contributed to a \$6 billion rate of inventory accumulation. Also up were purchases of goods and services by State and local Governments. Employment and incomes in the October-December period exceeded year-earlier levels by substantial margins, although gains in employment during the fourth quarter failed to bring seasonally adjusted employment above the record of last spring.

Table 6.--Other economic factors affecting agriculture

Item	(Seasonally adjusted annual rates)									
	Unit	1963	I	II	III	IV	I	II	III	IV
										Year 1/
Gross national product	: Bil. dol.	: 599.0	: 608.8	: 618.6	: 628.4	: 633.5	: 622.3			
Personal income	: Bil. dol.	: 474.5	: 480.9	: 487.9	: 494.5	: 502.2	: 491.4			
Disposable personal income	: Bil. dol.	: 411.2	: 419.5	: 430.2	: 435.6	: 442.0	: 431.8			
Personal consumption expenditures	: Bil. dol.	: 381.3	: 390.0	: 396.1	: 404.6	: 406.2	: 399.2			
Durable	: Bil. dol.	: 53.6	: 55.9	: 57.0	: 58.7	: 56.2	: 57.0			
Nondurable	: Bil. dol.	: 168.9	: 172.9	: 175.3	: 179.5	: 180.8	: 177.1			
Services	: Bil. dol.	: 158.8	: 161.1	: 163.8	: 166.4	: 169.2	: 165.1			
Personal saving	: Bil. dol.	: 29.9	: 29.5	: 34.0	: 31.0	: 35.9	: 32.6			
Net government receipts	: Bil. dol.	: 128.2	: 125.2	: 124.0	: 126.6	: ---	: ---			
Government purchases	: Bil. dol.	: 124.8	: 125.2	: 129.6	: 129.5	: 130.3	: ---			
Deficit or surplus (on income and product account)	: Bil. dol.	: 3.3	: 0	: -5.5	: -2.9	: ---	: ---			
Gross private domestic investment	: Bil. dol.	: 87.1	: 85.9	: 87.2	: 87.3	: 90.5	: 87.7			
Fixed investment	: Bil. dol.	: 80.7	: 83.4	: 83.5	: 84.5	: 84.5	: 84.0			
Change in business inventories	: Bil. dol.	: 6.4	: 2.5	: 3.7	: 2.8	: 6.0	: 3.7			
Expenditures for plant and equipment	: Bil. dol.	: 41.20	: 42.55	: 43.50	: 45.65	: 2/46.70	: 44.60			
Corporate profits (before taxes)	: Bil. dol.	: 53.1	: 56.4	: 57.9	: 58.1	: ---	: ---			
Net exports of goods and services	: Bil. dol.	: 5.8	: 7.7	: 5.7	: 7.0	: 6.5	: 6.7			
Overall foreign payments balance	: Mil. dol.	: -536	: -376	: -2,920	: -2,248	: ---	: ---			
Population 3/	: Millions	: 190.5	: 191.1	: 191.7	: 192.4	: 193.1	: 192.1			
GNP implicit price deflator	: 1964=100	: 98.8	: 99.3	: 99.8	: 100.2	: 100.6	: 100.0			
Per capita disposable personal income (1964 prices)	: Dollars	: 2,159	: 2,195	: 2,244	: 2,264	: 2,289	: 2,248			

1/ Preliminary. 2/ Estimates based on anticipated capital expenditures as reported by business.

3/ Population of the United States including Armed Forces abroad. Annual data as of July 1; quarterly data centered in the middle of the period.

Departments of Commerce, Agriculture and Securities and Exchange Commission.

Income and Expenditures

Personal income in fourth quarter 1964 was at a \$502.2 billion annual rate, \$7.7 billion above the previous quarter. Wage and salary disbursements constitute about 68 percent of personal income and they are among the most important indicators of economic activity. They reflect the opportunities for employment and the growth in the number of persons employed. Since income is rising, the ability of each consumer to spend and to repay debts is improving.

Consumer expenditures rose in fourth quarter 1964 from the previous quarter. The fourth quarter rise was substantially less than the \$8.1 billion average increase of the preceding 2 quarters, but a smaller rise was to be expected in view of the nearly complete consumer adjustment to the impact of the tax cut by the third quarter. Work stoppages in the automobile industry in the fourth quarter resulted in a much smaller rise in expenditures than would ordinarily occur when consumer incomes are expanding as they did in October-December.

Spending for durable goods declined \$2.5 billion in the fourth quarter as outlays for automobiles fell by nearly \$3 billion. Demand for furniture, appliances, and other durables rose, but not enough to offset the decline in automobile sales. However, retail sales of automobiles snapped back after the auto strikes were settled and at the turn of the year were 20 percent ahead of a year earlier. Outlays for automobiles and auto parts account for more than 40 percent of consumers' spending for durables.

Consumer spending for nondurables also slowed in October-December, suggesting that not all of the sluggishness in durables resulted from the disruption in automobile production. Expenditures for food and beverages rose much less than in the third quarter; but expenditures for food products were 6 percent larger than in fourth quarter 1963.

A major effect of the auto strikes, in aggregate terms, appears to have been a postponement of some consumer purchases to the current quarter. Consumers saved at an unusually high rate, 7.7 percent, in October-December. The savings rate has ranged from about $6\frac{1}{2}$ to 8 percent of disposable income during most recent years and has averaged around 7 percent of disposable income.

Consumer Credit

In the fourth quarter of 1964, consumers increased installment credit at about a \$4 $\frac{1}{2}$ billion annual rate. This was substantially below the \$5.5 billion rate of the first 3 quarters of 1964. The slower rise in October-December was due to the sharply lower level of automobile sales. Installment loans account for 78 percent of total consumer credit outstanding; automobile financing accounts for about 42 percent.

During the past 3 years, 25 percent of the increase in consumer purchases has been financed through an expansion in consumer installment credit. Increasing use of credit is typical of expansion periods. Formerly, installment debt

repayments amounting to about 13 percent of disposable income were considered relatively high. But during the current expansion, this ratio has moved up to 14 percent.

Private Investment

Investment outlays in the private sector rose in the fourth quarter to a level 4 percent above a year earlier. Business fixed investment in October-December continued the strong rise of recent quarters, but spending for producers' durable equipment increased only slightly as the auto strikes reduced deliveries of transportation equipment. Equipment spending has risen in nearly every quarter since mid-1961. Nonresidential construction outlays have advanced almost continuously since mid-1961. In the fourth quarter, they were 7 percent above a year earlier. Outlays for private hospitals, schools, industrial buildings, office buildings, and telephone facilities have expanded vigorously during the past 2 years, dwarfing declines in other types of private nonresidential construction.

Plant and equipment surveys and indicators of business fixed investment point to a continued rise during the first half of this year. Most of the increased outlays in the first half of 1965 are expected to be in manufacturing industries. Except for food and beverage firms, both durable and non-durable companies plan increased outlays. New orders for machine tools, order backlogs of machine tool producers, and new capital appropriations authorized by manufacturers also indicate a continued rise in fixed investment outlays in the coming months. In the fourth quarter, the estimated backlog of machine tool orders was nearly 7 months for metal cutting types and over 11 months for metal forming types. New capital appropriations authorized by manufacturers, which usually precede outlay by 9 to 12 months, were more than a third above a year earlier in the third quarter.

Some factors affecting business fixed investment have become somewhat less favorable in recent months. Corporate profits (after taxes) leveled in the second and third quarters of 1964 and may have declined in the fourth quarter. New orders received by manufacturers declined in October and November and capacity utilization declined slightly in the fourth quarter.

The rate at which businesses accumulated inventories picked up sharply in the fourth quarter to a \$6.0-billion annual rate. During the first 9 months of 1964, inventory accumulation had slowed to a \$3.0 billion rate. In the year-earlier period, a rate of economic expansion similar to that occurring in 1964 was accompanied by inventory accumulation at a \$4.0 billion rate. Apparently, the lower rate of accumulation in 1964 was "planned." According to the Commerce Department's November survey, the percentage of manufacturers that considered their inventory stocks too low at the end of the third quarter of 1964, was only slightly above a year earlier. The sharp rise in the rate of accumulation in October-December was similar to the increases recorded in late 1961 and 1963 when strikes threatened in the steel industry.

Spending for residential construction declined in the fourth quarter from the previous period and from a year earlier. Housing outlays have trended downward since the first quarter of 1964 reflecting a decline in housing units started which began in late 1963. In midsummer, housing starts leveled and have since fluctuated around a 1.45 million rate, substantially below year-earlier levels.

Government Demand

Combined purchases of goods and services by Federal and State and local governments increased to a \$130.3 billion annual rate in the fourth quarter from a \$129.5 billion rate in third quarter, and \$124.8 billion a year earlier.

During 1964, Federal purchases fluctuated more than usual, but for the year averaged less than \$1 billion above 1963 and about \$2½ billion above 1962. This slow upcreep of the past 2 years reflects the economy measures taken by the Department of Defense and more recently the determination of the present administration to hold down Federal budgetary expenditures.

State and local outlays accelerated in the second and third quarters of 1964, rising \$1.6 billion (annual rate) per quarter, but in the fourth quarter they rose only \$0.5 billion. Construction outlays for schools, hospitals, sewer and water systems, and administrative buildings expanded sharply through the third quarter but slowed materially in the closing months of 1964.

Production and Employment

Fourth quarter industrial output reflecting automotive-workers' strikes, rose only slightly from the third quarter. But for 1964 as a whole, output totaled 6 percent above 1963. Inventory building of both raw materials and finished goods of steel users may keep industrial output expanding at a high rate during the first quarter of 1965.

Automobile production from late September to early November was cut to about half of previously scheduled output while output of most other types of goods were expanding. Production of television sets, radios, and other appliances was about 3 percent above the previous quarter; output of furniture, clothing, processed foods, drugs, and fuel products rose at a slower rate. Equipment production continued very strong, nearly 10 percent above a year earlier.

Employment rose in the fourth quarter as manufacturers, retailers, service firms, and State and local governments added employees. The number of persons employed averaged 70.6 million during the quarter compared with 70.5 million in the previous quarter, and 69.2 million a year earlier. The size of the labor force also expanded but not as much as employment and the unemployment rate declined to 5.0 percent of the labor force, the lowest since the third quarter of 1959. During 1964, the rate of unemployment averaged 5.2 percent compared with 5.7 percent in 1963, and 5.5 percent or more in every year since 1957.

Money, Interest Rates, and Prices

Interest rates edged upward in the fourth quarter. The Federal Reserve rediscount rate was increased from $3\frac{1}{2}$ to 4 percent in November, primarily to prevent an increased outflow of short-term capital in the wake of a change in the Bank of England rate.

Thus far during the current expansion, monetary policy has been less restrictive than in most recent expansions. During 1963-64, the money supply rose 4.0 percent per year compared with 2.4 percent during 1961-62 and less than 1.0 percent per year in the 1959-60 period. During the fourth quarter, the rate of increase of the money supply slowed to 3.0 percent per year from a 4.0 percent rate in the previous quarter.

Short-term interest rates rose in October-December. The U. S. Treasury bill rate rose from 3.50 percent in the third quarter to 3.68 in the fourth quarter. Rates on prime commercial paper rose but yields on long-term Government bonds were unchanged; the Federal Reserve System attempted to hold those rates down while pushing up on short-term rates.

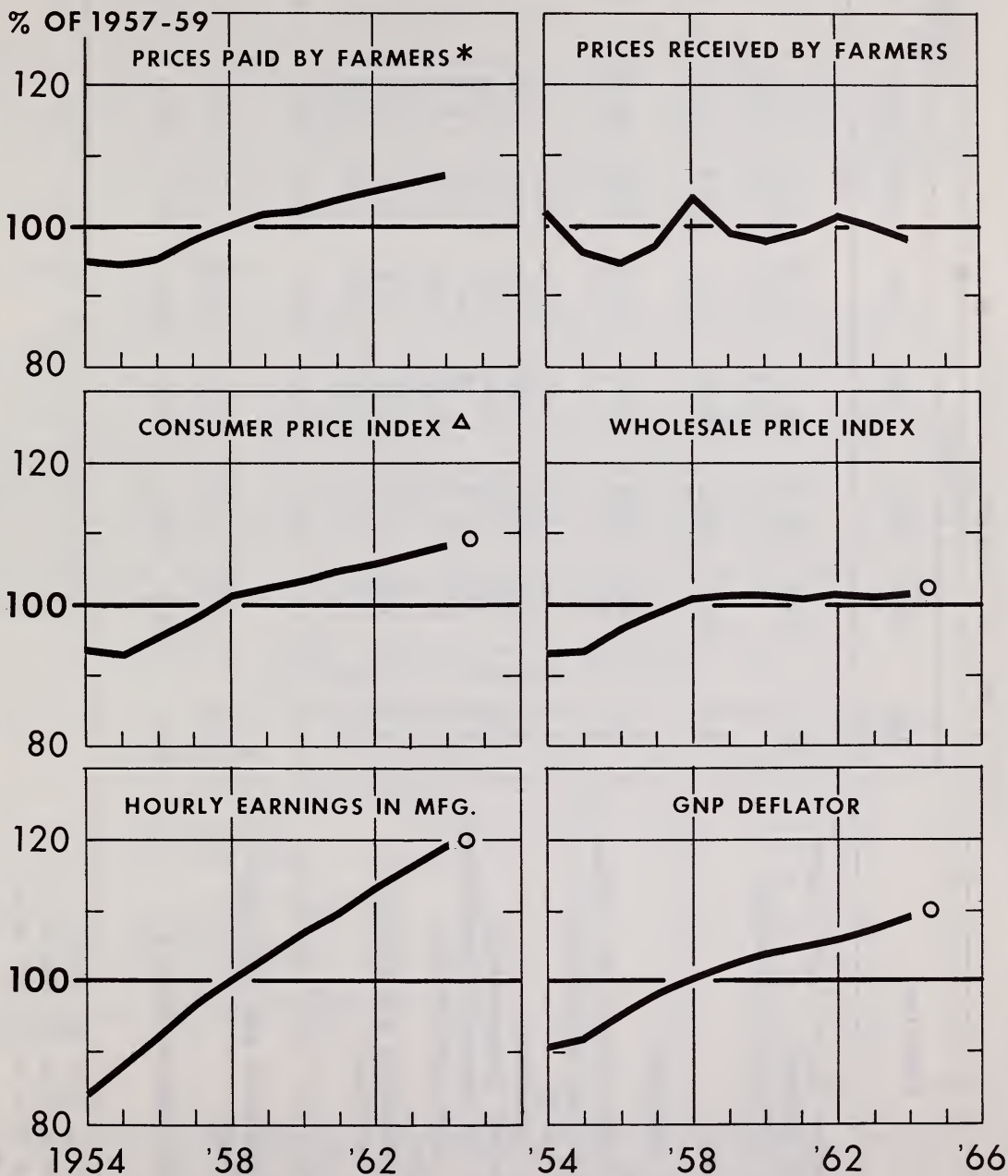
Consumer prices in the fourth quarter was up 1.2 percent from a year earlier continuing the upward trend of recent years. The sharp advance in consumer income and demand during 1964 apparently had little affect on the trend in consumer prices (see chart). Wholesale prices inched upward during the fourth quarter to 100.8 percent of 1957-59 average prices. This was up only 0.3 from a year earlier. Prices of farm products and processed foods were below a year earlier, but industrial product prices rose somewhat.

THE UNITED STATES BUDGET FOR 1966

President Johnson's budget requests \$99.7 billion of administrative budget expenditures for fiscal year 1966 (table 7). This is \$2.2 billion above the estimate for the current fiscal year. The major increase is proposed for "War on Poverty" program and a further increase is scheduled for the space program. Cuts are proposed for defense-related programs, farm price-support operations, and the Veterans Administration.

Administrative budget receipts are expected to increase in fiscal 1966 to \$94.4 billion, \$3.2 billion over 1965. The projected increase reflects the expectation of a generally strong economic expansion. It allows also for the estimated revenue loss from the proposed reduction in excise taxes. The resulting administrative budget deficit of \$5.3 billion would be \$1.0 billion below the deficit estimated for the current year.

MAJOR PRICE MOVEMENTS



SOURCE: U. S. DEPARTMENTS OF AGRICULTURE, COMMERCE AND LABOR.

* INCLUDES COMMODITIES, INTEREST, TAXES AND WAGE RATES.

Δ 1964 DATA ARE NEW SERIES..

○ 1964 ESTIMATES BY ERS.

Table 7.--Administrative budget expenditures; by function, 1959-66
(Fiscal year, in billions of dollars)

Function	Actual										Estimate	
	1959	1960	1961	1962	1963	1964	1965	1966				
Administrative budget expenditures:												
National defense	46.5	45.7	47.5	51.1	52.8	54.2	52.2	51.6				
Space research and technology	.1	.4	.7	1.3	2.6	4.2	4.9	5.1				
Subtotal	46.6	46.1	48.2	52.4	55.4	58.4	57.1	56.7				
All other functions:												
Interest	7.7	9.3	9.0	9.2	10.0	10.8	11.3	11.6				
International affairs and finance ^{1/}	4.8	3.1	4.0	4.3	4.2	3.7	4.0	4.0				
Agriculture and agricultural resources ^{2/}	5.6	3.7	3.7	4.4	5.4	5.6	4.5	3.9				
National resources	1.7	1.7	2.0	2.1	2.4	2.5	2.7	2.7				
Commerce and transportation	2.0	2.0	2.6	2.8	2.8	3.0	3.4	2.8				
Housing and community development	1.0	.1	.3	.3	-.1	-.1	-.3	0				
Health, labor, and welfare	3.9	3.7	4.2	4.5	4.8	5.5	6.2	8.3				
Education	.7	.9	.9	1.1	1.2	1.3	1.5	2.7				
Veterans benefits and services	5.3	5.3	5.4	5.4	5.2	5.5	5.4	4.6				
General government	1.5	1.5	1.7	1.9	2.0	2.3	2.4	2.5				
Subtotal, all other functions	34.2	31.3	33.8	36.0	37.9	40.1	41.1	43.1				
Other expenditures and interfund transactions	-.4	-.7	-.7	-.6	-.5	-.7	-.7	-.1				
Total budget expenditures ^{3/}	80.3	76.5	81.5	87.8	92.6	97.7	97.5	99.7				

^{1/} Including Food for Peace.

^{2/} Excluding Food for Peace.

^{3/} Totals from unrounded data.

Bureau of the Budget.

The Federal Budget on a National
Income Accounts Basis

The Federal sector of the National income and product accounts provides a measure of the direct impact of Federal fiscal activity on the Nation's current flow of income and output. Incorporated in the fiscal 1966 budget are allowances for a total of \$66.7 billion in Federal purchases of goods and services. This compares with \$65.9 billion estimated for fiscal 1965. The increase implies that, beginning next fall, some rise in Federal purchases can be expected from the virtually stable level of the current fiscal year. Federal receipts, on income and product basis, are expected to rise further in fiscal 1966 to \$121.0 billion from \$116.0 billion estimated for fiscal 1965.

The Agricultural Budget

The administrative budget for agriculture and agricultural resources, excluding Food for Peace programs, estimates current fiscal year expenditures about \$1.1 billion below a year earlier (table 8). A further decrease of \$0.6 billion is budgeted for the 1965-66 year. Most of the reduction in each year is coming from smaller expenditures for farm income stabilization. These expenditures account for about 70 percent of the total agricultural budget. Expenditures in 1966 for farm income stabilization, estimated at \$2.7 billion, are \$387 million less than in fiscal year 1965. The principal decreases result from: (1) A change in the timing of feed grain acreage diversion payments, (2) reduced price support loan levels for feed grains, cotton, and rice; and (3) an expected lower volume of tobacco production. These decreases are partly offset by an estimated larger production of feed grains and soybeans in the 1965 crop year.

Table 8.--Budget expenditures for agriculture and
agricultural resources, 1961-66

Description	Actual				Estimate	
	1961	1962	1963	1964	1965	1966
Farm income stabilization	2,345	3,093	3,954	4,144	3,103	2,716
Agricultural land and water resources	397	426	404	410	441	424
Financing rural electrification and rural telephones	301	303	342	342	199	200
Financing farming and rural housing	349	234	300	251	242	138
Research and other agricultural services	324	341	391	414	493	466
Total <u>1/</u>	3,717	4,397	5,390	5,560	4,477	3,944

1/ Total is not the same as the Department of Agriculture Budget. Some expenditures by this Department, namely, Food for Peace, forest resource, milk program, and school lunch program expenditures are not included here.

Bureau of the Budget.

Expenditures budgeted for rural electrification and telephone programs in 1966 reflect anticipated early enactment of proposed legislation to authorize use of collections on outstanding electrification and telephone loans to help finance new loans. Loan commitments in fiscal 1966 are expected to be \$397 million, about the same as the current fiscal year. Although net expenditures of the Farmers Home Administration may be lower, a substantial increase in loans for financing farm and rural housing is also expected in fiscal 1966. Proposed legislation would replace most of the direct Federal loans for rural housing and farm ownership with insured private credit.

FOREIGN TRADE

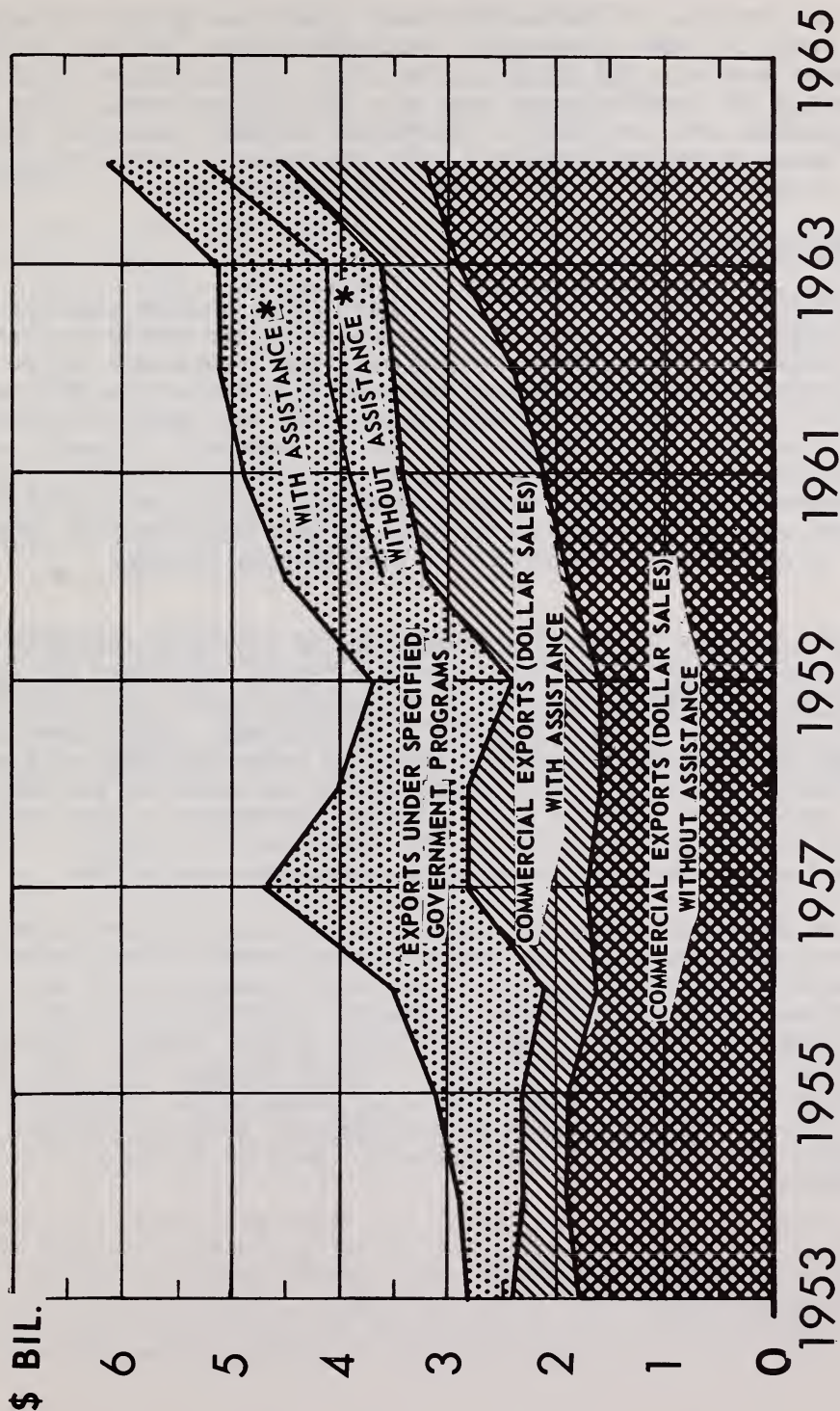
The U. S. balance of payments deficit on regular transactions in the first 9 months of 1964 was about half as large as a year earlier. A substantial improvement in the U. S. payments position began in the third quarter of 1963. By the first quarter of 1964, the deficit on regular transactions was only \$1 billion (annual rate). But the deficit rose to a \$2.3 billion rate in the third quarter, \$0.8 billion above a year earlier, and preliminary indicators point to a sharply higher deficit during the final quarter of 1964.

Balance of payments deficits increase the supply of dollar claims abroad which the United States is willing to redeem in gold at a constant price of \$35 per ounce. Gold backing and efficient management of the currency have given the dollar a preferred status among world currencies and, as a result, many countries hold dollars as reserves or backing for their own currencies. U. S. payments deficits for nearly all of the past 15 years reduced the U. S. gold stock to within \$2 billion of the level required by law as cover for Federal Reserve notes (currency) and bank deposits held as reserves at Federal Reserve Banks. It has been proposed that gold reserve requirements for member bank reserves be removed to make more gold available to meet foreign claims. The proposal would not affect gold reserve requirements for Federal Reserve notes.

Although the payments deficit worsened after mid-1964, the merchandise trade surplus increased in the third quarter from the previous quarter and from a year earlier. During the first 9 months of 1964, the trade surplus averaged \$6.4 billion (annual rate), nearly \$2.0 billion above a year earlier. Agricultural exports are an important factor affecting the trade surplus, accounting for about one-fourth of merchandise exports.

As in most recent years, attention continued to be focused on capital flows during 1964. The interest equalization tax was enacted to reduce outflows of long-term capital. In late November, a rise in the Bank of England discount rate which might have attracted U. S. funds to London was followed immediately by a rise in the Federal Reserve System discount rate. And the Federal Reserve System has periodically tried to reduce outflows of short-term capital by nudging up short-term interest rates while holding long-term rates steady.

Dollar Exports Hit New High in 1963-64



* AVAILABLE ONLY FOR 1960-1964

YEAR ENDING JUNE 30.

But net outflows of funds--Government grants and private investments--continued large in 1964. Government grants and capital outflows during January-September were at a $\$3\frac{1}{2}$ billion annual rate. Net outflows of private capital during the 9-month period were at a $\$5\frac{1}{2}$ billion annual rate; more U. S. businessmen are investing in enterprises abroad, commercial banks have increased loans to foreign borrowers, and investment in securities in some countries is not covered by the interest equalization tax.

Agricultural Exports

World food production in 1964 increased about in line with population; that of nonfood items increased more slowly. With per capita supplies of all products slightly reduced, world trading activity stepped up. U. S. exports of agricultural products were valued at about \$6.2 billion in 1964, up \$600 million from a year earlier. Imports during 1964 were about at the 1963 level of \$4 billion. Most of the export gain was in commercial shipments which totaled about \$4.6 billion in 1964 compared with \$4.0 billion the year before. Exports assisted by Government programs continued at around \$1.6 billion. U. S. agricultural exports are expected to continue at a high level in 1965 although shipments in January were hampered by a pier workers' strike.

Large increases in export shipments during 1964 were indicated for wheat, soybeans, oilseed meal, rice, corn, inedible tallow, and hides and skins. Relatively poor 1963-wheat harvests in Western Europe and the Soviet Union resulted in larger U. S. wheat exports to these areas. World wheat production in 1964 was record large, 10 percent above the depressed level of a year earlier. Although some reduction in wheat exports is indicated for 1965, shipments are expected to continue above average. Shipments of feed grains in 1964-65 are likely to be as large as the record level in 1963-64. Soybean and soybean meal shipments picked up sharply toward the end of 1964.

Of the \$600 million gain in value of exports in 1963 from a year earlier, small contributions were made by edible vegetable oils, cotton, lard, meats, fruits, poultry, and dairy products. Continued economic growth and rising incomes in Western Europe and Japan increased the demand for dairy, poultry, and other livestock products. Dairy shipments pulled domestic stocks of milk products down to a relatively low level. Cotton shipments were up for the calendar year but slackened toward year-end; world cotton production was record large and the 1964 Cotton Program enabled domestic mills to purchase cotton at world prices. Exports of rye and vegetables declined during 1964 from year-earlier levels.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

The June-November 1964 pig crop was down 8 percent from the same months a year earlier. These pigs will supply the bulk of slaughter hogs during the first half of 1965. June-August 1964 farrowings were down 7 percent and September-November farrowings were down 9 percent. On December 1, hogs in weight groupings 180-220 pounds and 120-180 pounds were down 7 percent, while pigs in the 60-120 pounds weight group were down 6 percent. Pigs under 60 pounds were down 11 percent. Thus, winter and spring slaughter supplies likely will be down 5 to 10 percent from year-earlier levels.

Reduced hog slaughter in the first 6 months of this year likely will result in higher hog prices. This winter, hog prices likely will average considerably above the January-March 1964 average of \$14.63 (barrows and gilts at 8 markets). Early spring prices may show some seasonal weakness but are expected to hold well above year-earlier levels.

Producers on December 1 reported intentions to have 7 percent fewer sows farrowing during December 1964-May 1965. If producers carry out intentions, the price strength of the first half likely will prevail through the second half of 1965. Higher hog prices to producers this winter and spring likely will encourage expansion. However, somewhat higher corn prices will tend to temper expansion. Even though an expansion is initiated, increased production would not be reflected in prices until late this year or in early 1966.

Total cattle slaughter was up about 12 percent during 1964 from a year earlier with all classes showing sizable gains. Cattle slaughter likely will increase further in the first half of this year although the rate of increase over a year earlier is expected to be smaller.

The number of cattle and calves on feed in 32 major feeding States was up 1 percent on January 1, 1965. Producers reported intentions to market 4 percent fewer cattle out of feedlots in the winter months than they did during these months a year earlier. The number on feed weighing more than 900 pounds was down 10 percent. Market weights have been down and fed cattle are expected to continue to be marketed at lighter weights than in these months of 1964.

Fed cattle prices this winter likely will average a little above the October-December 1964 average of \$24.57 and considerably above the January-March 1964 average of \$21.84 (Choice steers at Chicago). Acting to strengthen fed cattle prices in the next few months will be: (1) Lighter average slaughter weights, (2) population growth, (3) continuing consumer preference for beef, and (4) lower per capita supplies of other red meats.

Cow slaughter averaged considerably above year-earlier rates during the second half of last year. It is expected to continue above year-earlier rates but the increase over a year earlier probably will diminish toward midyear. Cow prices likely will make only a modest seasonal increase this winter. Utility cow prices averaged \$12.50 in December. Imports of beef, down more than one-fourth last year, are expected to continue at a reduced level in 1965.

Commercial sheep and lamb slaughter in 1964 likely amounted to a little less than 15 million head, a decrease of slightly more than 7 percent from 1963. Slaughter lamb prices were higher in late 1964 and early January than they have been at this season for several years. Choice slaughter lambs at Denver were \$20.53 in the week ended January 2, compared with \$18.69 a year earlier. Feeder lamb prices also were higher.

There were 3.3 million sheep and lambs on feed on January 1. This was 9 percent fewer than at the beginning of 1964. Slaughter supplies during the first quarter, therefore, are expected to continue smaller than a year earlier. The expected smaller lamb crop this year will result in smaller slaughter supplies late in the year. Lamb prices are expected to continue higher than a year earlier through midyear.

Dairy Products

Prices farmers received for all wholesale milk in 1964 averaged \$4.18, per 100 pounds, about 1.5 percent above 1963. During the last quarter of 1964, prices averaged 6 cents above a year earlier. Although domestic commercial utilization increased about 1-1/2 percent, price strength was largely due to unusual foreign demand for butter and nonfat dry milk, chiefly under the payment-in-kind program. However, wholesale butter prices in December fell from 62-3/4 cents per pound to 58 cents at Chicago in response to seasonal production increases and continued milk and butter output above year earlier levels. Wholesale cheese prices at Wisconsin assembly points held steady during December at 39.31 cents per pound but declined in mid-January.

Prices for manufacturing milk are seasonally above the support level of \$3.15, while prices for milk eligible for fluid uses are moving downward seasonally as increased output reduced the proportion of production used for fluid milk. First quarter 1965 prices received by farmers are expected to average near year-earlier levels.

Milk production during 1964 was estimated at 126.0 billion pounds, 1 percent above 1963 and about equal to the 1962 record. During the last quarter of 1964, production exceeded year-earlier levels by nearly 2 percent. First quarter 1965 average production per day may be higher than a year earlier.

About 1 percent more milk was used for fluid milk and cream and about 5 percent more for cheese in 1964 than in 1963. Butter output was close to the 1963 level. Some decline from 1964 is likely for butter production in 1965, as fluid sales and cheese production gain. In January-October 1964, sales of fluid whole milk were about 0.9 percent above year-earlier levels in major urban marketing areas.

During the first quarter 1965, CCC purchases (delivery basis) of dairy products under the price support program are expected to be about the same as the 2.4 billion pounds (milk equivalent) purchased in January-March 1964, because rising commercial demand is expected to offset increased marketings. In calendar 1964, CCC purchases (delivery basis) and payment-in-kind exports of dairy products were 296 million pounds of butter (net after 36 million pounds domestic sales), 129 million pounds of Cheddar cheese, and 1,169 million pounds of nonfat dry milk. This totaled 7.7 billion pounds (milk equivalent), or 6 percent of production. These programs removed from the commercial market 280 million pounds of milkfat and 1,164 million pounds of solids-not-fat, amounting to 6 and 11 percent of production respectively.

Total stocks of manufactured dairy products at the beginning of 1965 were about 5.1 billion pounds (milk equivalent), about 5 billion below a year earlier. The drop was mainly in CCC holdings, and it was due to continued high utilization of CCC-purchased dairy products in domestic school lunch and welfare programs and sharply increased foreign disposition of CCC butter. However, on December 31, 1964, commercial stocks of both butter and American cheese were about 6 percent below year-earlier levels. Commercial stocks of manufactured dairy products were about 4 billion pounds (milk equivalent), close to year-earlier levels. The seasonal decline in commercial stocks of butter and cheese during the fall of 1964 was higher than a year earlier.

Retail prices of all dairy products during the last quarter of 1964 were slightly above a year earlier and are expected to be close to 1964 levels in first quarter 1965.

During the last quarter of 1964, exports of butter under the payment-in-kind program were 35 million pounds, compared with 0.4 million a year earlier. In 1964, commercial exports of butter, including sales under PIK and sales from CCC stocks, were about 160 million pounds, 83 million above 1963.

Foreign demand for U. S. butter may subside seasonally in the first quarter of 1965 as larger supplies become available from traditional sources in other countries. However, because of heavy registrations under the PIK program, first quarter 1965 exports may be above those of the final quarter of 1964. World demand for nonfat dry milk continued strong in the last quarter of 1964 with London spray prices averaging over 15 cents per pound compared with 10 cents a year earlier. In 1964, excluding donations, exports from the United States, (PIK sales and sales from CCC stocks) were about 825 million pounds compared with 535 million in 1963.

Poultry and Eggs

Egg production in 1964 totaled 179 million cases compared with 176 million in 1963 and 172 million average in 1957-59. The 1964 increase resulted mainly from a higher rate of lay; layer numbers were up less than 1/2 percent. This year another increase in output is in prospect because the National laying flock is expected to be larger and more productive.

On January 1, 1965, the Nation's laying flock contained 355 million potential layers (layers and pullets not yet laying), 1 percent more than a year earlier. Birds actually laying numbered about the same as on January 1, 1964. In addition, the hatch of pullet chicks for flock replacements in October-December totaled 45 million compared with 42 million in this period of 1963. This indicates that the number of layers in January-June will average a little larger than a year earlier.

The rate of egg production at the beginning of the year was 5 percent above January 1, 1964, because exceptionally mild weather favored a higher rate of lay. Assuming normal weather, the rate of lay and total egg production the rest of the first half are likely to fall back closer to the 1964 levels. This appears likely for 2 reasons. First, the unusually large increase in the rate of lay that occurred in February 1964 (also largely a product of mild weather), is unlikely to be repeated in February this year. Second, egg output per layer usually increases very little from year-to-year in the second quarter and this stability pattern is likely to continue in 1965.

After midyear and particularly in the fourth quarter, egg production will be influenced by the number of replacement chicks hatched in January-June 1965. This number is expected to be up a little from 1964 despite the lower egg prices in recent months. Consequently, the Nation's laying flock is likely to continue larger than in 1964 throughout 1965. In addition, most of the expected increase in the rate of lay is expected to occur, as usual, in the second half. Thus, egg production in July-December 1965 is likely to exceed the year-earlier level by a wider margin than will January-June 1965 production.

Egg prices received by U. S. producers in 1964 increased less than seasonally between spring and fall, and in the fourth quarter averaged 33.8 cents per dozen compared with 35.9 cents in October-December 1963. In mid-December 1964, eggs averaged 32.9 cents per dozen, down from 34.0 in November, and down from 35.6 cents in December 1963. Between mid-December and mid-January, prices to Iowa farmers dropped 4 cents per dozen for large eggs and 3 cents for medium sized eggs, in response to the sharp upsurge in egg production around the first of the year. Some recovery in egg prices from mid-January levels seems likely in the first quarter because both the rate of lay and egg production are likely to drop back some, moving closer to year-earlier levels. In the second quarter, egg prices will be declining seasonally. For all of 1965, egg prices may continue lower than in 1964 because production will be larger.

In an effort to speed a recovery in egg prices, the Secretary of Agriculture on January 8, 1965, asked the Nation's food industry to join USDA in a cooperative merchandising effort to move the unusually heavy supplies of eggs into consumption.

Based on fourth quarter 1964 hatchings, broiler output in the first quarter is likely to run 1 or 2 percent above a year ago. An even greater expansion appears likely in the second quarter and production probably will continue larger than in 1964 throughout 1965, possibly to a level 3 to 5 percent

above a year earlier. Broiler prices are likely to average about the same to slightly higher than a year earlier, at least through the first quarter, and the expansion in hatchery supply flocks currently underway points to continued pressure to expand broiler output.

U. S. average broiler prices at the farm were 13.8 cents per pound (live-weight) in December 1964 compared with 14.5 cents in November and 13.2 cents in December 1963. Between mid-December and mid-January, base price quotations for broilers in important Southern producing areas rose from mostly 12-1/2 cents per pound to mostly 14 cents, the same as a year earlier.

Turkey hatchings in September-December 1964 totaled 6.2 million compared with 6.9 million in these months of 1963. Turkey eggs in incubators for poult production on January 1, 1965, were down 12 percent from a year earlier. Despite these smaller off-season hatchings, some increase in turkey production in 1965 from 98.7 million birds in 1964 seems likely. The increase, however, may be less than the 5 percent gain which was anticipated as of last November.

Turkey breeders tested for pullorum disease in July-December 1964 totaled 2.7 million compared with 2.8 million in July-December 1963. This indicates that farmers may not have carried out their October 1964 intentions to have 4 percent more breeder hens on January 1 than a year earlier. Yet the breeder flock is of adequate size to support an increase in turkey production this year.

Turkey prices to producers averaged 22.4 cents per pound in December 1964 compared with 21.2 in November and 22.9 in December 1963. In the first half of 1965, turkey prices are likely to be higher than a year earlier; smaller supplies are expected. However, in the main marketing months of 1965 (September-December) supplies probably will be greater and prices probably will average lower than in 1964.

Wool

World wool prices declined 20 to 25 percent since the second quarter of 1964. In December 1964, world prices had adjusted downward to December 1962 levels. Prices likely will remain at these lower levels during the second half of the 1964-65 marketing season. This lower price level is a result of declining mill use of raw wool in the major manufacturing countries, shifts to use of lower priced man-made fibers and larger supplies.

U. S. wool prices dropped only 5 to 10 percent during the second half of 1964 compared with much larger declines in world markets. The amount of domestic wool available for sale was limited during 1964; sales were nominal in the last 4 to 6 months. This resulted in quoted prices of U. S. wools above those of foreign wools. With the likelihood that foreign wools will remain at about their current reduced levels, a decline in domestic wool prices is probable during the first half of 1965.

Mill use of apparel wool likely totaled about 230 million pounds (scoured basis) in 1964. This was 10 percent below 1963 and the lowest since 1958. Through the first 11 months of 1964, mill use totaled 214 million pounds compared

with 235 million in the same period of 1963. Raw wool use declined more on the woolen system than on the worsted system.

Carpet wool mill use probably totaled slightly more than 120 million pounds in 1964. This was 25 percent less than in 1963 and the lowest since 1958. Through the first 11 months of 1964, carpet wool use amounted to 111 million pounds compared with 150 million in the same period of 1963. Wool use was down significantly. But total use of all fibers in the spinning of carpet yarns on the woolen system was only down about 2 percent since the use of manmade fibers increased almost 80 percent.

Imports of raw wool declined substantially during 1964 as a result of the lower mill use. Imports of dutiable raw wool, used principally for apparel wool items, totaled 86 million pounds (clean content) in the first 11 months of 1964, down about 13 percent from 1963. Duty-free raw wool imports amounted to 101 million pounds (clean content) 34 percent less than in the first 11 months of 1963. In addition, the quality composition of these imported wools shifted from the fine wools to the medium and coarser grades.

Imports of apparel wool textile products during the first 10 months of 1964 totaled 51 million pounds (raw equivalent), 18 percent less than in 1963. Of the major categories of apparel wool product imports, only imports of knit wearing apparel were larger in 1964 than a year earlier. Imports of noils and wastes declined. In contrast to the lower imports of apparel products, imports of carpets and rugs increased. During the first 10 months of 1964, carpet and rug imports totaled 23 million pounds, 28 percent more than in the comparable period of 1963.

CROPS

Wheat

The supply of wheat in 1964-65 is estimated at 2,195 million bushels, the smallest since 1957-58. The December estimate of the 1964 crop was 1,290 million bushels. Total disappearance of wheat is estimated at 1,295 million bushels with exports accounting for 675 million. With disappearance during 1964-65 expected to be about the same size as the crop, the carryover on July 1, 1965 would be virtually unchanged from the 901 million bushel carryover at the beginning of the year.

The total wheat export estimate for 1964-65 remains unchanged from that appearing in the October Wheat Situation, but the composition by class of wheat has been revised substantially. The export estimate for soft red winter wheat has been raised to 70 million bushels and that for white wheat is placed at around 110 million. As a result of the revised export estimates along with changes in production estimates reported in the December Crop Summary, the July 1965 carryovers of soft red winter and white wheat are likely to be around 20 and 30 million bushels, respectively, compared with the 45 and 41 million bushel carryovers previously estimated. The estimate of hard red winter wheat exports is reduced 30 million bushels from the earlier estimate of 490

averaged 3 percent above a year earlier, highest for the quarter since 1956. The average price received by farmers for corn rose 10 cents from November to December, reaching \$1.14 per bushel. This was 4 cents above the 1964 loan rate and 7 cents higher than a year earlier. Barley and sorghum grain prices also were above the 1964 loan rates in December and above a year earlier. The price of oats was slightly below the loan level. Feed grain prices are expected to continue a little above a year earlier--at least through the first half of 1965. Wholesale prices of high-protein feeds averaged about 6 percent lower during October-December 1964 than a year earlier, principally as a result of larger supplies available.

The total feed grain supply for 1964-65 is estimated at 206 million tons, 15 million less than last year and 12 million below the 1958-62 average. The 1964 crop of 137 million tons is nearly 20 million below the record 1963 crop with production of each of the 4 feed grains falling below 1963 output. Domestic disappearance of feed grains in 1964-65 is expected to fall a little below the 1963-64 level of 133 million tons, but exports probably will at least equal the 18.7 million tons exported in 1963-64. Based on present prospects for total utilization in 1964-65, the carryover of feed grains at the close of the marketing year may be reduced by about 10 to 12 million tons from the 69 million ton carryover at the beginning of the year.

Much of the reduction in total feed grain supplies this year was in corn and sorghum grains. The total corn supply for 1964-65, estimated at 5,060 million bushels, is 379 million less than in 1963-64. The 1964 crop of 3,549 million bushels was 13 percent below the record 1963 crop and the smallest since 1958. Total disappearance of corn in 1964-65 is expected to be around 300 million bushels above 1964 production. This would reduce the carryover next October 1 to about 1.2 billion bushels. The total sorghum grain supply for 1964-65 is 8 percent under a year earlier; the oat supply is down 4 percent; and the barley supply is down about 3 percent. Some reduction in carryover stocks of each of these grains is in prospect at the close of the 1964-65 marketing year.

The 1965 Feed Grain Program, recently announced by the Department of Agriculture, will permit substitution between wheat and feed grains for farmers signing up for both programs. Price support for corn, barley, and grain sorghum will be the same as for the 1964 crops. That for oats will be reduced 5 cents to \$.60 per bushel. The loan rate for corn will be \$1.05 per bushel, 5 cents lower than in 1964; the price support payment of 20 cents per bushel is 5 cents higher. The loan rates for barley and grain sorghum also will be lower than in 1964, and the price support payments higher. The acreage diversion provisions of the program are similar to those in 1964. Farmers may plant corn, grain sorghums, or barley on their permitted wheat acreage or wheat on the permitted acreages of any of these 3 grains. Wheat producers may also request an oats-rye base and substitute wheat for these grains. The signup period for feed grains and for spring wheat will be from February 8 through March 26.

Oilseeds, Fats and Oils

Total supplies of edible fats, oils, and oilseeds during the current marketing year which began October 1, 1964, are placed at 16.4 billion pounds (in terms of oil) or about 4 percent below the record quantities of a year earlier. A sharp drop of almost 700 million pounds in carryover stocks of butter and edible vegetable oils on October 1, 1964, accounts for this decline; production in 1964-65 is expected to approximate the level of a year ago. Domestic consumption in 1964-65 is expected to increase about in line with population growth. Exports of food fats (including the oil equivalent of soybeans) are estimated at about 5.2 billion pounds, up slightly from a year ago. Larger shipments of edible vegetable oils and soybeans are expected to more than offset a decline in butter. Based on these estimates of supply and total disappearance, ending stocks next September 30 will be down sharply from the nearly 2.0 billion pounds (including oil equivalent of soybeans, shortening, and cooking and salad oils) on September 30, 1964.

Soybean supplies in 1964-65 are placed at 732 million bushels compared with 715 million in 1963-64. Crushings for the season are expected to total around 470 million bushels and exports about 200 million bushels. Carryout stocks of old-crop soybeans on September 30, 1965, likely will be at a minimum level of around 15 million bushels compared with 32 million last September.

Soybean crushings during October-December 1964 totaled 131 million bushels compared with 119 million a year ago. Exports totaled an estimated 80 million compared with 63 million in October-December 1963. Some of this increase was attributed to a hedge against the dock workers strike which began January 11.

The record soybean disappearance this season reflects strong demand for soybean oil and meal and a more favorable price relationship between soybeans and soybean products. Soybean oil prices (crude, Decatur) during October-December 1964, averaged 11.7 cents per pound, almost a third above that period last season. Soybean meal prices (44 percent protein, bulk, Decatur) in the same period averaged about \$68 per ton compared with \$75 last year.

Prices to farmers during the first quarter of the 1964-65 season averaged \$2.61 per bushel, 36 cents above the National support price of \$2.25 and about the same as the \$2.60 of October-December 1963. Prices during the balance of the marketing year are expected to continue strong, averaging slightly above the first quarter level and well above the \$2.46 received during January-September 1964. Last year, soybean prices declined contraseasonally from \$2.65 per bushel in January 1964 to \$2.34 in July 1964.

On December 21, 1964, the USDA announced that the 1965-crop oilseed price support levels would be as follows: Soybeans, \$2.25 per bushel, the same as during 1962-64; flaxseed, \$2.90 per bushel, U. S. No. 1 grade, the same as 1962-64; and cottonseed, \$43.00 per ton, basis (100) grade, \$1 less than for the 1964 crop. The decrease of \$1 per ton reflects the smaller market premiums for cottonseed oil for use in salad oils in the United States now than

a few years ago. A lower support level for cottonseed relative to soybeans helps to assure that the 2 oilseeds enter the market on equally competitive terms.

Fruit

Supplies of fresh and processed citrus fruits are expected to be much larger during the first half of 1965 than in this period of 1964 because of heavier crops in Florida and Texas. Remaining supplies of 1964 crop deciduous fruits also are up a little. Year-end stocks of processed items appear to be up substantially. Under the weight of the increased supplies, grower and retail prices have receded somewhat below the relatively high year-earlier levels, even though consumer demand has continued strong.

Early season prospects for a sharp increase in the 1964-65 Florida citrus crop were dimmed a little by dry fall weather, and mid-January freeze damage. As of January 1, the Florida orange crop was expected to be about 40 percent larger than in 1963-64, and the grapefruit crop was expected to be up 20 percent. Texas citrus crops, although comprising only a small percentage of the U. S. total, also are expected to be up substantially this season. But prospective production of California and Arizona citrus is down from last year's above average output. In sum, total supplies of fresh oranges and grapefruit this winter are expected to be noticeably larger than a year earlier, and supplies of lemons adequate for the usual fresh market needs. Prices for oranges and grapefruit are likely to remain below year-earlier levels.

The 1964-65 season for processing Florida citrus fruits started with packers' stocks of processed items down to unusually low levels. To mid-January, movement of both oranges and grapefruit to processors has been moderately heavier than a year earlier. Output of canned products has been up, leading to year-end stocks of most items somewhat above the light stocks of a year earlier but still below the heavy stocks of 2 years earlier. Output of frozen orange concentrate to January 2 moderately exceeded last season's to the same time. But stocks remained lower than in the last 2 years. If the Florida Valencia orange crop is of the size forecast January 1, the pack of frozen orange concentrate will considerably exceed the relatively small 1963-64 volume. Some decline in retail prices has already occurred.

At year-end, cold storage stocks of fresh apples were a little smaller than on January 1, 1964, but moderately larger than usual. Substantial reduction in Washington and Oregon and a small decrease in New Jersey were not quite offset by increases in other States, especially California, Michigan, and various Eastern States. In early January, shipping-point prices were higher than a year earlier in Washington and the Appalachian area but lower in Michigan and New York. Stocks of both pears and grapes were up somewhat. These items comprised most of the remaining fresh fruits from the 1964 deciduous fruit crop, which was 7 percent larger than the 1963 crop and 13 percent above the 1958-62 average. The 1965 Florida winter strawberry crop was reduced slightly by the mid-January freeze, but still is expected to be somewhat larger than the 1964 crop.

The record large 1964 deciduous fruit crop provided increased supplies for processing as well as for fresh use. As a result, 1964 packs of processed fruits exceeded 1963 packs about as follows: Canned and frozen, each 25 percent; and dried, 5 percent. The new packs of canned peaches, pears, fruit cocktail, and frozen red tart cherries were record large. The pack of canned applesauce, not yet completed, also will set a record.

Commercial Vegetables

Fresh: Freezing temperatures in mid-January damaged many Florida vegetable crops. Supplies of most tender items--snap beans, sweet corn, cucumbers, peppers, and tomatoes--probably will be relatively light into late winter, with prices expected to average close to the high level of a year earlier. Damage to hardier vegetables was less severe; marketings of carrots, lettuce, celery and cabbage are expected to be seasonally heavy in February-March. Overall supplies of these items probably will be above a year earlier, and prices lower. Imports from nearby countries, mostly the Bahama Islands and Mexico, will supplement U. S. domestic production. Supplies available for export in these countries probably will be larger than a year ago because of more acreage. Especially large increases were reported in cucumbers and tomatoes, and with high prices likely for these vegetables, import volume may exceed that in 1964.

Processed: Total supplies of canned vegetables for marketing during the first half of 1965 appear to be moderately smaller than last season, with reductions in many major items. Stocks of sweet corn, snap beans, and cucumber pickles are considerably below the record-large volumes of last season. Lima bean, green peas, and sauerkraut supplies are tight. However, holdings of asparagus and most tomato items are about as large as in 1964, and spinach stocks are relatively heavy. Frozen vegetable supplies, excluding potato products, are moderately below a year ago, although substantially above the 1959-63 average. Holdings of snap beans, Brussels sprouts, and cauliflower are up materially, and those of spinach, up moderately. Supplies of all other frozen vegetables are below year-earlier levels.

With overall supplies smaller, markets for processed vegetables have been stronger than a year ago. Into mid-1965, processed snap bean prices are expected to average a little above a year earlier. Prices for canned and frozen sweet corn and lima beans, and for kraut probably will continue sharply above the low levels of recent seasons. However, tomato and tomato juice prices are expected to average a little below the moderate levels of a year earlier, and markets for catsup and other tomato concentrate products may remain under pressure because of heavy supplies available in California. Prices for processed spinach and canned beets likely will remain depressed until new-pack prospects develop in the spring.

Potatoes and Sweetpotatoes

The 1964 production of fall-crop potatoes, which furnish the bulk of supplies from fall to early spring, was 11 percent smaller than in 1963 because of adverse weather. Marketings have been heavy; January 1 supplies in storage

were substantially below a year ago, and the smallest since 1958. Holdings on January 1, 1965, amounted to 98.0 million hundredweight, compared to 116.4 million a year earlier. Stocks are down 2 percent in the East, 27 percent in the Central States, and 22 percent in the West. Since supplies will be light relative to trade needs into early spring, prices are expected to average at high levels. The 1965 winter crop is estimated at 3.7 million hundredweight, 1 percent larger than a year ago.

Supplies of sweetpotatoes for marketing the next 4 to 5 months probably are about the same as the light supplies of a year ago. The 1964 production in North Carolina, Georgia, New Jersey, Louisiana, Texas, and California--which furnish nearly all of the supply from January through June--was moderately smaller than in 1963, but rates of movement from these States so far has been slower. Prices are expected to increase seasonally during the winter and spring, averaging about the same as the high levels of a year earlier.

Dry Beans and Peas

Supplies of dry beans remaining for marketing during the 1964-65 season probably are materially smaller than the heavy stocks of a year earlier. Output in 1964 was down 14 percent from 1963 because of adverse weather, more than offsetting a large carryover. Market demand has been strong; prices this season are running substantially higher than last season. Continued strength is likely.

In contrast, the market for dry peas is weak. Overall supplies for the 1964-65 season were moderately larger than the previous season because of a heavier carryover. Although exports so far this season have been larger than a year earlier, prices have been low due to the pressure of heavy supplies.

Cotton

The 1964 cotton crop was estimated at 15.3 million bales as of December 1. This is slightly larger than the 1963 crop and the largest since 1953 when acreage allotments were not in effect. The large crop reflects record yields. Harvested acreage was about 1 percent lower in 1964 than in 1963. The estimated National average yield of 524 pounds per harvested acre for the 1964 crop is up from the previous record high of 517 pounds in 1963. Prior to 1963, the highest yield recorded was 466 pounds in 1958.

The sharp yield increase this crop year, as in 1963-64, resulted from improved cultural practices and generally favorable growing conditions in most major producing areas. Improved cultural practices, which producers continued to adopt, include (1) the use of land better suited for cotton production, (2) use of irrigation, and (3) increased use of fertilizer, improved seed, insecticides, and herbicides. In addition, a larger acreage was "skip-row" planted in 1964 than in previous years. A total of 2.5 million acres was planted in skip-row patterns, up from 2.3 million acres for the 1963 crop. This practice results in higher yields. Under USDA regulations, when certain "skip-row" patterns are planted only the area of land actually planted to cotton is charged against the acreage allotment.

The National acreage allotment for the 1965 crop of upland cotton has been set at the statutory minimum of 16 million acres, the same as for 1964. The minimum 1965-crop support price for Middling 1-inch cotton has been set at 29.00 cents per pound. Producers who plant within their domestic allotment in 1965 will be eligible to receive the basic price support through loans plus an additional payment of 4.35 cents per pound. For the 1964 crop, the basic support is 30.00 cents per pound and the payment rate is 3.50 cents. As with the 1964 crop, most producers with 1965 allotments of 15 acres or less will not be required to reduce their plantings to be eligible for the additional price support payment.

USDA has announced that no export market acreage for cotton will be authorized for the 1965 crop. Under the Agricultural Act of 1964, export market acreage cannot be authorized if the carryover is in excess of 8 million bales unless the Secretary determines that the carryover of upland cotton at the end of the marketing year will be at least 1 million bales less than the carryover at the beginning of the marketing year.

Mill use of cotton increased in recent months. Use during the current crop year may total slightly more than 1 million bales above the year-earlier total of 8.6 million. Exports, however, are declining this year to well below the total of 5.7 million bales in 1963-64. This means another substantial rise in the cotton carryover is in prospect for the current crop year.

Tobacco

Cigarette consumption by U. S. smokers in 1964 is estimated at 508 billion--3 percent fewer than the record high of 1963. During the early months of 1964, following the Surgeon General's report on smoking and health, cigarette consumption showed a considerable decline. Toward the end of 1964, however, it was near the year-earlier level. Consumption in 1965 seems likely to continue to edge upward and exceed that of 1964.

Federal Trade Commission regulations requiring health warnings on cigarette packages and in all cigarette advertising are scheduled to go into effect on July 1, 1965. The House Committee on Interstate and Foreign Commerce, which last June held hearings on this matter, has indicated that further hearings may be desirable and that Congress would need adequate time to consider appropriate labeling legislation. A strict advertising code, developed by the cigarette companies and administered by an independent administrator, became operative January 1, 1965.

Estimated consumption of cigars and cigarillos in 1964 was about 9 billion--24 percent above 1963 and highest on record. Consumption of cigarillo-size cigars--on the average about two-fifths the weight of full-size cigars--showed the sharpest increase. In the past 2 years, stocks of Colombian, Dominican, and Brazilian cigar tobaccos held by U. S. manufacturers and dealers rose substantially. In the year ended September 30, 1964, use of these tobaccos gained sharply in contrast with the generally small changes in use of domestic types. Use of Cuban tobacco continued to drop as stocks in this country declined to less than one-third of the pre-embargo level.

The 1964 output of smoking tobacco for pipes and "roll-your-own" cigarettes probably totaled about 82 million pounds--16 percent above 1963. Output and consumption jumped sharply in the first quarter of 1964, but the rate of gain over a year earlier diminished in succeeding quarters. Chewing tobacco output in 1964 probably was nearly 67 million pounds, 2 percent above 1963. Production of snuff declined a little to a long-time low estimated at a little over 31 million pounds.

In calendar 1964, exports of unmanufactured tobacco (usually an outlet for about a fourth of U. S. production) probably totaled near 1963. In the year ending June 30, 1965, tobacco exports seem likely to be moderately below the comparatively favorable level of 1963-64. Supplies of foreign competitive tobaccos are large; several exporting countries, notably Rhodesia, India, Turkey, and Greece, had record or near-record production in 1964.

The 1964-65 supply of flue-cured tobacco is 3 percent above 1963-64 and a new high. The 1964 crop--which slightly exceeded 1963 production despite a 10 percent cut in acreage--brought an average price of about 58 cents a pound, slightly above the year before. For the third season in a row, a substantial volume of flue-cured went under Government loan, raising stocks under loan to a new high. By law, the 1965 marketing quota and acreage allotment for flue-cured tobacco had to be determined by December 1, 1964. Accordingly, on November 27 the 1965 acreage allotment for flue-cured tobacco was announced at 19-1/2 percent below 1964.

Total supply of burley for 1964-65 is 3 percent above 1963-64 and largest on record. Marketings of the 1964 crop were nearly completed by January 20. Prices for gross sales averaged 60.2 cents per pound, compared with 59.2 cents a year earlier. About 17 percent of market deliveries went under Government loan. In the entire 1963-64 season, about 27 percent of the crop went under loan. These were unusually heavy placements compared with the preceding 7 years, when generally about 1 to 3 percent was placed under loan.

The 1964-65 total supply of fire-cured is a little larger than in 1963-64. That of dark air-cured is about the same, but that of sun-cured is moderately less than a year earlier.

For the season through January 20, auction prices for Virginia fire-cured, type 21 averaged 24 percent higher than a year earlier, and prices of Virginia sun-cured averaged 33 percent higher. For dark air-cured types One Sucker and Green River, auction prices for marketings through January 20 were up 12 percent and 3 percent, respectively, from a year ago. Auction markets for Kentucky-Tennessee types 22 and 23 opened January 19 and January 18, respectively.

The 1964-65 supply of Maryland tobacco is 8 percent above 1963-64 and exceeds any previous year. Auctions for the 1964 Maryland crop--estimated to be 15 percent larger than the previous year's crop--are scheduled to begin April 21, 1965. The overall support level for 1964-crop Maryland tobacco is 52.3 cents per pound--1/2 cent above 1963.

The 1964-65 supply of Pennsylvania cigar filler is the largest in many years, but that of Ohio filler is significantly below each of the preceding 2 years. Supplies of Connecticut Valley binder for 1964-65 are lowest on record; those of Wisconsin tobacco are moderately below 1963-64. The 1964-65 supplies of cigar wrapper are a little smaller than in 1963-64 due to a reduction in Connecticut Valley shade-grown.

Government price support is mandatory for tobaccos produced under marketing quotas. The 1964-crop price support levels are 1 percent above 1963. Calculated in accordance with the legal formula, 1965 price supports for the kinds of tobacco produced under marketing quotas would be up about another 1 percent.

:	:
:	:
:	The <u>Demand and Price Situation</u> is published
:	January, April, July, and November.
:	:
:	:
:	The next issue is scheduled for release
:	April 30, 1965.
:	:

U. S. Department of Agriculture
Washington, D. C. 20250.

POSTAGE AND FEES PAID
U. S. Department of Agriculture

OFFICIAL BUSINESS

NOTICE

If you no longer need this publication,
check here ☐ return this sheet,
and your name will be dropped from
the mailing list.

If your address should be changed,
write the new address on this sheet
and return the whole sheet to:

Division of Administrative Services (ML)
Office of Management Services
U. S. Department of Agriculture
Washington, D. C. 20250.

DPS-103

JANUARY 1965